



**KAI ! GARIB LOCAL MUNICIPALITY**  
(Demarcation code: NC082)

**UNAUDITED ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

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The reports and statements set out below comprise the unaudited annual financial statements presented to the provincial legislature:

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# Kai !Garib Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2019

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### Abbreviations

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
CPI	Consumer Price Index
DORA	Division of Revenue Act
DWS	Department of Water Affairs and Sanitation
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognized Accounting Practice
GLCCM	General Landfill Closure Costing Model
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
INEP	Integrated National Electrification Programme
LG SETA	Local Government Sector Education Training Programme
LSA	Long Service Awards
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MLCCM	Municipal Landfill Closure Costing Model
MSIG	Municipal Systems Improvement Grant
PAYE	Pay As You Earn
PEMA	Post-employment Medical Aid Subsidy Liability
PPP's	Public Private Partnerships
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation
WCA	Workers Compensation Administration

### Relevant Legislation

Constitution of the Republic of South Africa (Act no 108 of 1996)  
Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## General Information

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<b>Legal form of entity</b>	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998)
<b>Nature of business and principal activities</b>	Kai !Garib Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996)
<b>Vision statement</b>	Creating an economically viable and fully developed Municipality, which enhances the standard of living of all the inhabitants/community of Kai !Garib through good governance, excellent service delivery and sustainable development
<b>Mission statement</b>	Provision of transparent, accountable and sustainable service delivery
<b>Demarcation code</b>	NC082
<b>Grading of local authority</b>	Low capacity municipality
<b>Accounting Officer</b>	Mr. I.G.A. de Waal (Acting)
<b>Chief Finance Officer (CFO)</b>	Mrs. A.F. Beukes (Acting)
<b>Registered office</b>	164 11th Avenue Kakamas 8870
<b>Postal address</b>	Private Bag X 6 Kakamas 8870
<b>Bankers</b>	ABSA Bank Limited Standard Bank Limited
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Wessels & Smith Attorneys Inc
<b>Level of assurance</b>	These unaudited annual financial statements will be audited in compliance with the applicable requirements of the Municipal Finance Management Act, No. 56 of 2003.
<b>Preparer</b>	The unaudited annual financial statements were internally compiled by Wim Scheepers, the municipality's Budget and Reporting Manager
<b>Telephone number</b>	(054) 431 6300
<b>Fax number</b>	(054) 431 6301
<b>Email address</b>	admin@kaigarib.gov.za
<b>Website</b>	www.kaigarib.gov.za

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Members of the Municipal Council

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<b>Mayor</b>	Cllr. M.M. Louw	
<b>Speaker</b>	Cllr. D.W. Fienies	
<b>Ward councillors</b>	Cllr. D. Jaar	ANC
	Cllr. B.B. Kordom	ANC
	Cllr. B.M. Bock	ANC
	Cllr. P.A. Thomas	ANC
	Cllr. M.A. Papier	ANC
	Cllr. V.W. Sacco	ANC
	Cllr. N.J. Snyers	ANC
	Cllr. D.W. Fienies	ANC
	Cllr. E.E. Frits	ANC
	Cllr. W.D. Klim	ANC
<b>Proportional members</b>	Cllr. C. Markgraaf	DA
	Cllr. J.M. de Klerk	DA
	Cllr. C.F.P. Bezuidenhout	DA
	Cllr. C. Kruger	DA
	Cllr. M.Y. April	DA
	Cllr. E.K. Strauss	DF
	Cllr. R. van Rooyen	DF
	Cllr. C. April	EFF
<b>Council committees</b>		
<b>Executive committee</b>		
Chairperson:	Cllr. M.M. Louw	
Members:	Cllr. W.D. Klim	
	Cllr. C. Markgraaf	
<b>Socio-economic development committee</b>		
Chairperson:	Cllr. D.R. Jaar	
Members:	Cllr. B.B. Kordom	
	Cllr. M.A. Papier	
	Cllr. C. April	
	Cllr. C. Kruger	
<b>Institutional development committee</b>		
Chairperson:	Cllr. V.W.W. Sacco	
Members:	Cllr. B.M. Bock	
	Cllr. N.J. Snyers	
	Cllr. J.M. de Klerk	
	Cllr. E.K. Strauss	
<b>Infrastructure development committee</b>		
Chairperson:	Cllr. B.B. Kordom	
Members:	Cllr. E.E. Fritz	
	Cllr. P.A. Thomas	
	Cllr. R. van Rooyen	
	Cllr. C.F.P. Bezuidenhout	
<b>Municipal public account committee</b>		
Chairperson:	Cllr. B.M. Bock	
Members:	Cllr. V.W.W. Sacco	
	Cllr. D.R. Jaar	
	Cllr. E.K. Strauss	
	Cllr. M.Y. April	

# Munisipaliteit Kai !Garib Municipality

Munisipale Gebou  
11<sup>de</sup> Laan  
Tel 054 461 6400  
Faks 054 461 6401  
Privaatsak X 6  
KAKAMAS  
8870  
BTW Nr. 4170193371



Municipal Building  
11<sup>th</sup> Avenue  
Tel 054 461 6400  
Fax 054 461 6401  
Private Bag X 6  
KAKAMAS  
8870  
VAT No. 4170193371

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality comply with all legislation requirements. The collection of outstanding consumer debtor accounts and effective service delivery is also a priority of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's unaudited annual financial statements. The unaudited annual financial statements will be audited by the municipality's external auditors and their report will be presented after the annual auditing process.

The unaudited annual financial statements set out on pages 7 to 86, which have been prepared on the going concern basis, were approved by the accounting officer and were signed by him.



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**Mr. I.G.A. de Waal (Acting)**  
**Municipal Manager (Accounting Officer)**  
**Kai !Garib Local Municipality**  
**30 August 2019**

# Munisipaliteit Kai !Garib Municipality

Munisipale Gebou  
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## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2019.

### 1. Review of activities

#### Main business and operations

Kai !Garib Municipality is local municipality performing functions as set out in the constitution (Act no 105 of 1996), and operates principally in the Northern Cape province of South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached unaudited annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was 59,191,316 (2018: deficit 60,223,867).

### 2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated deficits of 348,918,545 and that the municipality's total liabilities exceed its assets by 348,918,545.

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note 42 of these unaudited annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting Officer's interest in contracts

The accounting officer has no interest in contracts awarded, either direct or indirect.

### 5. Accounting policies

The unaudited annual financial statements prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.



## **6. Accounting Officer**

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr. I.G.A. de Waal (Acting)	South Africa

## **7. Corporate governance**

### **General**

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King IV Report on Corporate Governance for South Africa of September 2009. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the Code on a quarterly basis.

The salient features of the municipality's adoption of the Code is outlined below:

### **Audit committee**

The audit committee was established with effect from 1 July 2014. The chairperson of the audit committee is Mr. H.C. Ogu, who is an independent audit committee member. Other independent members of the audit committee are, Me. M. Venter and Me. A. Viljoen.

### **Internal audit**

The municipality established an internal audit unit on 1 April 2014. Since the establishment of the internal audit unit ZF Mgcawu District Municipality assists the municipality with their internal audit functions as required by legislation.

## **8. Bankers**

The municipality's primary bank accounts are with ABSA Bank Limited and Standard Bank Limited and will continue to bank with them in the new financial year.

## **9. Auditors**

The following auditors will continue in office for the following financial period:

- Auditor General of South Africa

## **10. Public Private Partnership**

The municipality did not enter into any Public Private Partnerships for the financial year under review, nor does it have any existing PPP's

## **11. Non-compliance with applicable legislation**

Details of the transactions where the municipality deviated from the supply chain management regulations relating to the its procurement processes and expenditure during the financial year under review is set out in note .

## 12. Municipal jurisdiction

Kai !Garib Municipality have the following surrounding towns under its jurisdiction:

- Kakamas
- Keimoes
- Kenhardt
- Alheit
- Augrabies
- Blaauwskop
- Bloemsmond
- Cillie
- Currieskamp
- Lennertsville
- Lutzburg
- Mactaggertscamp
- Marchand
- Riemvasmaak
- Soverby
- Vredesvallei
- Eksteenskuil

The unaudited annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved on 30 August 2019.



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**Mr. I.G.A. de Waal (Acting)**  
**Municipal Manager (Accounting Officer)**  
**Kai !Garib Local Municipality**  
**30 August 2019**

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## Certification of Remuneration of Councillors

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### Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 42134 dated 21 December 2018. This read with the Remuneration of Public Officer Bearers Act, Circular 14/2015 dated 27 March 2015 of SALGA, the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act and the approval letter received from the Minister of Corporative Governance, Human Settlements and Traditional Affairs on 3 April 2018.

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**Mr. I.G.A. de Waal (Acting)**  
**Municipal Manager (Accounting Officer)**  
**Kai !Garib Local Municipality**  
**30 August 2019**

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Notes	2019	2018 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	546,437	463,661
Inventories	4	888,728	765,256
Other financial assets	5	66,978	1,569,753
Receivables from exchange transactions	6&8	217,067,485	22,252,477
Receivables from non-exchange transactions	7&8	21,475,535	17,646,577
VAT receivable	9	13,575,260	10,737,438
<b>Total Current Assets</b>		<b>253,620,423</b>	<b>53,435,162</b>
<b>Non-Current Assets</b>			
Other financial assets	5	(1,813,441)	1,081,535
Heritage assets	10	5	5
Intangible assets	11	140,304	256,774
Investment property	12	1,540,000	1,524,000
Property, plant and equipment	13	799,219,729	767,153,892
<b>Total Non-Current Assets</b>		<b>799,086,597</b>	<b>770,016,206</b>
<b>Total Assets</b>		<b>1,052,707,020</b>	<b>823,451,368</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Bank overdraft	3	543,799	208,581
Consumer deposits	14	1,866,204	1,772,549
Employee benefit obligation		614,796	614,796
Finance lease obligation		2,643,456	2,643,456
Other financial liabilities	15	8,577,012	8,827,274
Payables from exchange transactions	16	562,985,693	285,389,748
Provisions	17	1,931,141	7,006,704
Unspent conditional grants and receipts	18	7,641,851	7,641,851
<b>Total Current Liabilities</b>		<b>586,803,952</b>	<b>314,104,959</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation		17,802,897	17,802,897
Finance lease obligation		9,260,210	9,260,210
Other financial liabilities	15	963,702	963,702
Provisions	17	88,957,714	62,711,600
<b>Total Non-Current Liabilities</b>		<b>116,984,523</b>	<b>90,738,409</b>
<b>Total Liabilities</b>		<b>703,788,475</b>	<b>404,843,368</b>
<b>Net Assets</b>		<b>348,918,545</b>	<b>418,608,000</b>
Accumulated surplus		348,918,545	418,608,000

The accounting policies on pages 20 to 49 and the notes on pages 50 to 86 form an integral part of the unaudited annual financial statements.

\* See Note

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Notes	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Agency services	19	-	207,123
Interest received	20	19,040,475	12,012,926
Rental of facilities and equipment	21	338,903	334,335
Service charges	22	106,922,443	93,707,584
Other income	23	771,927	1,442,894
<b>Total revenue from exchange transactions</b>		<b>127,073,748</b>	<b>107,704,862</b>
<b>Revenue from non-exchange transactions</b>			
Property rates	24	17,560,030	17,449,258
<b>Transfer revenue</b>			
Fines and penalties	25	91,400	66,316
Government grants and subsidies	26	98,370,000	95,600,149
Public contributions and donations	27	12,688,053	5,688,307
<b>Total revenue from non-exchange transactions</b>		<b>128,709,483</b>	<b>118,804,030</b>
<b>Total revenue</b>	28	<b>255,783,231</b>	<b>226,508,892</b>
<b>Expenditure</b>			
Bulk purchases	29	59,139,292	54,307,833
Contracted services	30	15,424,139	16,801,026
Debt Impairment	31	19,910,197	6,988,959
Depreciation and amortisation	32	4,602,304	31,143,191
Employee related costs	33	111,970,127	105,731,759
Finance costs	34	46,933,754	32,696,246
General Expenses	35	34,725,075	28,647,181
Transfers and Subsidies	36	15,100,902	155,206
Remuneration of councillors	38	7,184,757	6,585,940
<b>Total expenditure</b>		<b>314,990,547</b>	<b>283,057,341</b>
<b>Operating deficit</b>		<b>(59,207,316)</b>	<b>(56,548,449)</b>
Fair value adjustments	39	16,000	19,000
Impairment loss	37	-	(1,307,533)
Loss on disposal of assets and liabilities		-	(2,386,885)
		<b>16,000</b>	<b>(3,675,418)</b>
<b>Deficit for the year</b>		<b>(59,191,316)</b>	<b>(60,223,867)</b>

\* See Note

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

<b>Figures in Rand</b>	<b>Accumulated surplus</b>	<b>Total net assets</b>
<b>Balance at 01 July 2017</b>	<b>478,831,867</b>	<b>478,831,867</b>
Changes in net assets		
Surplus for the year	(60,223,867)	(60,223,867)
Total changes	(60,223,867)	(60,223,867)
<b>Restated* Balance at 01 July 2018</b>	<b>408,109,861</b>	<b>408,109,861</b>
Changes in net assets		
Surplus for the year	(59,191,316)	(59,191,316)
Total changes	(59,191,316)	(59,191,316)
<b>Balance at 30 June 2019</b>	<b>348,918,545</b>	<b>348,918,545</b>

### Notes

The accounting policies on pages 20 to 49 and the notes on pages 50 to 86 form an integral part of the unaudited annual financial statements.

\* The translation deficit represents the cumulative position of translation gains and losses arising from the conversion of the net assets of the foreign subsidiary companies, and also the long term loan to a subsidiary company, to the reporting currency.

\* See Note

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	114,356,250	(2,535,600)	<b>111,820,650</b>	106,922,443	<b>(4,898,207)</b>
Rental of facilities and equipment	69,300	248,700	<b>318,000</b>	338,903	<b>20,903</b>
Agency services	1,140,000	(163,000)	<b>977,000</b>	-	<b>(977,000)</b>
Other income	845,700	41,500	<b>887,200</b>	771,927	<b>(115,273)</b>
Interest received	9,424,650	7,975,350	<b>17,400,000</b>	19,040,475	<b>1,640,475</b>
<b>Total revenue from exchange transactions</b>	<b>125,835,900</b>	<b>5,566,950</b>	<b>131,402,850</b>	<b>127,073,748</b>	<b>(4,329,102)</b>

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	22,580,446	(4,588,446)	<b>17,992,000</b>	17,560,030	<b>(431,970)</b>
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##### Transfer revenue

Government grants & subsidies	108,184,000	800,000	<b>108,984,000</b>	98,370,000	<b>(10,614,000)</b>
Public contributions and donations	-	-	-	12,688,053	<b>12,688,053</b>
Fines, Penalties and Forfeits	51,600	15,300	<b>66,900</b>	91,400	<b>24,500</b>

<b>Total revenue from non-exchange transactions</b>	<b>130,816,046</b>	<b>(3,773,146)</b>	<b>127,042,900</b>	<b>128,709,483</b>	<b>1,666,583</b>
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<b>Total revenue</b>	<b>256,651,946</b>	<b>1,793,804</b>	<b>258,445,750</b>	<b>255,783,231</b>	<b>(2,662,519)</b>
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#### Expenditure

Personnel	(101,614,165)	(6,279,507)	<b>(107,893,672)</b>	(111,970,127)	<b>(4,076,455)</b>
Remuneration of councillors	(7,008,864)	3,864	<b>(7,005,000)</b>	(7,184,757)	<b>(179,757)</b>
Depreciation and amortisation	(3,166,342)	3,166,342	-	(4,602,304)	<b>(4,602,304)</b>
Finance costs	(1,589,765)	(8,559,463)	<b>(10,149,228)</b>	(46,933,754)	<b>(36,784,526)</b>
Debt Impairment	(17,617,133)	17,617,133	-	(19,910,197)	<b>(19,910,197)</b>
Bulk purchases	(58,656,085)	1,506,085	<b>(57,150,000)</b>	(59,139,292)	<b>(1,989,292)</b>
Contracted Services	(12,365,000)	1,430,000	<b>(10,935,000)</b>	(15,424,139)	<b>(4,489,139)</b>
Transfers and Subsidies	(900,000)	(10,022,300)	<b>(10,922,300)</b>	(15,100,902)	<b>(4,178,602)</b>
General Expenses	(27,400,400)	4,521,850	<b>(22,878,550)</b>	(34,725,075)	<b>(11,846,525)</b>

<b>Total expenditure</b>	<b>(230,317,754)</b>	<b>3,384,004</b>	<b>(226,933,750)</b>	<b>(314,990,547)</b>	<b>(88,056,797)</b>
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<b>Operating deficit</b>	<b>26,334,192</b>	<b>5,177,808</b>	<b>31,512,000</b>	<b>(59,207,316)</b>	<b>(90,719,316)</b>
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Fair value adjustments	100,000	(100,000)	-	16,000	<b>16,000</b>
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<b>Deficit before taxation</b>	<b>26,434,192</b>	<b>5,077,808</b>	<b>31,512,000</b>	<b>(59,191,316)</b>	<b>(90,703,316)</b>
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<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>26,434,192</b>	<b>5,077,808</b>	<b>31,512,000</b>	<b>(59,191,316)</b>	<b>(90,703,316)</b>
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### Reconciliation

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	1,607,188	(784,500)	822,688	2,638	(820,050)	
Inventories	987,000	-	987,000	888,728	(98,272)	
Other financial assets	2,100,000	(345,000)	1,755,000	66,978	(1,688,022)	
Receivables from exchange transactions	29,443,640	(9,695,060)	19,748,580	217,067,485	197,318,905	
Receivables from non-exchange transactions	23,349,286	(7,688,340)	15,660,946	21,475,535	5,814,589	
VAT receivable	-	-	-	13,575,260	13,575,260	
	<b>57,487,114</b>	<b>(18,512,900)</b>	<b>38,974,214</b>	<b>253,076,624</b>	<b>214,102,410</b>	
<b>Non-Current Assets</b>						
Other financial assets	4,218,940	514,000	4,732,940	(1,813,441)	(6,546,381)	
Heritage assets	-	-	-	5	5	
Intangible assets	410,000	(158,000)	252,000	140,304	(111,696)	
Investment property	1,580,000	40,000	1,620,000	1,540,000	(80,000)	
Property, plant and equipment	830,643,592	(54,870,400)	775,773,192	799,219,729	23,446,537	
	<b>836,852,532</b>	<b>(54,474,400)</b>	<b>782,378,132</b>	<b>799,086,597</b>	<b>16,708,465</b>	
<b>Total Assets</b>	<b>894,339,646</b>	<b>(72,987,300)</b>	<b>821,352,346</b>	<b>1,052,163,221</b>	<b>230,810,875</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Consumer deposits	1,910,000	(150,000)	1,760,000	1,866,204	106,204	
Employee benefit obligation	-	-	-	614,796	614,796	
Finance lease obligation	-	-	-	2,643,456	2,643,456	
Other financial liabilities	4,180,000	7,165,000	11,345,000	8,577,012	(2,767,988)	
Payables from exchange transactions	215,650,000	84,079,000	299,729,000	562,985,695	263,256,695	
Provisions	6,387,000	(1,646,000)	4,741,000	1,931,141	(2,809,859)	
Unspent conditional grants and receipts	-	-	-	7,641,851	7,641,851	
VAT payable	3,587,000	-	3,587,000	-	(3,587,000)	
	<b>231,714,000</b>	<b>89,448,000</b>	<b>321,162,000</b>	<b>586,260,155</b>	<b>265,098,155</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	16,480,000	1,208,000	17,688,000	17,802,897	114,897	
Finance lease obligation	-	-	-	9,260,210	9,260,210	
Other financial liabilities	7,580,000	1,058,000	8,638,000	963,702	(7,674,298)	
Provisions	61,009,000	7,644,000	68,653,000	88,957,714	20,304,714	
	<b>85,069,000</b>	<b>9,910,000</b>	<b>94,979,000</b>	<b>116,984,523</b>	<b>22,005,523</b>	
<b>Total Liabilities</b>	<b>316,783,000</b>	<b>99,358,000</b>	<b>416,141,000</b>	<b>703,244,678</b>	<b>287,103,678</b>	
<b>Net Assets</b>	<b>577,556,646</b>	<b>(172,345,300)</b>	<b>405,211,346</b>	<b>348,918,543</b>	<b>(56,292,803)</b>	



## Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	577,556,646	(172,345,300)	<b>405,211,346</b>	348,918,543	<b>(56,292,803)</b>	

The accounting policies on pages 20 to 49 and the notes on pages 50 to 86 form an integral part of the unaudited annual financial statements.

# Kai Igarib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2019</b>											
<b>Financial Performance</b>											
Property rates	22,580,446	(4,588,446)	17,992,000	-		17,992,000	17,560,030		(431,970)	98 %	78 %
Service charges	115,471,854	(2,029,704)	113,442,150	-		113,442,150	106,922,443		(6,519,707)	94 %	93 %
Investment revenue	9,424,650	7,975,350	17,400,000	-		17,400,000	19,040,475		1,640,475	109 %	202 %
Transfers recognised - operational	82,249,800	800,000	83,049,800	-		83,049,800	76,548,000		(6,501,800)	92 %	93 %
Other own revenue	2,005,000	120,600	2,125,600	-		2,125,600	1,218,230		(907,370)	57 %	61 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>231,731,750</b>	<b>2,277,800</b>	<b>234,009,550</b>	-		<b>234,009,550</b>	<b>221,289,178</b>		<b>(12,720,372)</b>	<b>95 %</b>	<b>95 %</b>
Employee costs	(101,837,460)	(4,736,774)	(106,574,234)	-	-	(106,574,234)	(111,970,127)	(5,395,893)	(5,395,893)	105 %	110 %
Remuneration of councillors	(7,008,864)	3,864	(7,005,000)	-	-	(7,005,000)	(7,184,757)	(179,757)	(179,757)	103 %	103 %
Debt impairment	(17,617,133)	17,617,133	-	-		-	(19,910,197)	(19,910,197)	(19,910,197)	DIV/0 %	113 %
Depreciation and asset impairment	(3,166,342)	3,166,342	-	-		-	(4,602,304)	(4,602,304)	(4,602,304)	DIV/0 %	145 %
Finance charges	(1,589,765)	(8,559,463)	(10,149,228)	-	-	(10,149,228)	(46,933,754)	(36,784,526)	(36,784,526)	462 %	2,952 %
Materials and bulk purchases	(65,242,385)	263,385	(64,979,000)	-	-	(64,979,000)	(59,139,292)	-	5,839,708	91 %	91 %
Transfers and grants	-	-	-	-	-	-	(15,100,902)	(15,100,902)	(15,100,902)	DIV/0 %	DIV/0 %
Other expenditure	(34,769,801)	(4,954,487)	(39,724,288)	-	-	(39,724,288)	(50,149,214)	(10,424,926)	(10,424,926)	126 %	144 %
<b>Total expenditure</b>	<b>(231,231,750)</b>	<b>2,800,000</b>	<b>(228,431,750)</b>	-	-	<b>(228,431,750)</b>	<b>(314,990,547)</b>	<b>(92,398,505)</b>	<b>(86,558,797)</b>	<b>138 %</b>	<b>136 %</b>
<b>Surplus/(Deficit)</b>	<b>500,000</b>	<b>5,077,800</b>	<b>5,577,800</b>	-		<b>5,577,800</b>	<b>(93,701,369)</b>		<b>(99,279,169)</b>	<b>(1,680)%</b>	<b>(18,740)%</b>

## Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

Transfers recognised - capital	25,934,200	-	25,934,200	-		25,934,200	21,822,000		(4,112,200)	84 %	84 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	12,688,053		12,688,053	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>26,434,200</b>	<b>5,077,800</b>	<b>31,512,000</b>	<b>-</b>		<b>31,512,000</b>	<b>(59,191,316)</b>		<b>(90,703,316)</b>	<b>(188)%</b>	<b>(224)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>26,434,200</b>	<b>5,077,800</b>	<b>31,512,000</b>	<b>-</b>		<b>31,512,000</b>	<b>(59,191,316)</b>		<b>(90,703,316)</b>	<b>(188)%</b>	<b>(224)%</b>

# Kai Igarib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2018</b>				
<b>Financial Performance</b>				
Property rates				17,449,258
Service charges				93,707,584
Investment revenue				12,012,926
Transfers recognised - operational				67,429,708
Other own revenue				2,189,668
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>192,789,144</b>
Employee costs	-	-	-	(105,731,759)
Remuneration of councillors	-	-	-	(6,585,940)
Debt impairment	-	-	-	(6,988,959)
Depreciation and asset impairment	-	-	-	(32,450,724)
Finance charges	-	-	-	(32,696,246)
Materials and bulk purchases	-	-	-	(54,307,833)
Transfers and grants	-	-	-	(155,206)
Other expenditure	-	-	-	(47,955,092)
<b>Total expenditure</b>	-	-	-	<b>(286,871,759)</b>
<b>Surplus/(Deficit)</b>				<b>(94,082,615)</b>
Transfers recognised - capital				28,170,441
Contributions recognised - capital and contributed assets				5,688,307
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>(60,223,867)</b>
<b>Surplus/(Deficit) for the year</b>				<b>(60,223,867)</b>

The accounting policies on pages 20 to 49 and the notes on pages 50 to 86 form an integral part of the unaudited annual financial statements.

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

The amounts disclosed in the unaudited annual financial statements are rounded-off to the nearest Rand.

#### 1.2 Going concern assumption

These unaudited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

#### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited annual financial statements. Significant judgements include:

##### **Trade receivables / Held to maturity investments and/or loans and receivables**

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

# Kai Igarib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### **Allowance for slow moving, damaged and obsolete stock**

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

#### **Fair value estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### **Impairment testing**

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest.

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

#### **Useful lives of waste and water network and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### **Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

#### **Effective interest rate**

The municipality used the prime interest rate to discount future cash flows.

#### **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

# Kai Igarib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Property intended for sale in the ordinary course of operations or in the process of construction or development from such sale;
- Property being constructed or developed on behalf of third parties;

# Kai Igarib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.5 Investment property (continued)

- Owner occupied property, including among other things property held for future use as owner occupied property, property held for future developments and subsequent use as owner occupied property, property occupied by employees such as housing personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
- Property that is being constructed for future use as investment property;
- Property that is leased to another entity as investment property;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.



# Kai Igarib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	10-50 years
Plant and machinery	Straight line	2-80 years
Furniture and fixtures	Straight line	3-15 years
Motor vehicles	Straight line	3-15 years
Office equipment	Straight line	2-5 years
Computer equipment	Straight line	2-5 years
Infrastructure assets	Straight line	5-60 years
Community assets	Straight line	5-60 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

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### 1.6 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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### 1.8 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	1-2 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the unaudited annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note ).

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### 1.9 Heritage assets (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

#### Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

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### 1.10 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or

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### 1.10 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

##### Class

Cash and cash equivalents  
Consumer debtors  
Other financial assets

##### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

##### Class

Consumer deposits  
Finance lease obligations  
Other financial liabilities  
Trade and other payables from exchange transactions

##### Category

Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

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### 1.10 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

#### Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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### 1.10 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.



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### 1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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### 1.13 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

### 1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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### 1.14 Impairment of cash-generating assets (continued)

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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### 1.14 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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### 1.15 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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### 1.15 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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### 1.16 Employee benefits (continued)

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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### 1.16 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).



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### 1.16 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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### 1.16 Employee benefits (continued)

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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### 1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

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### 1.18 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

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### 1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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### 1.20 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.23 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

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### 1.23 Accounting by principals and agents (continued)

#### Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

#### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.24 Comparative figures

When the presentation or classification of items in the unaudited annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# Kai Igarib Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.27 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.28 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.29 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.



# Kai Igarib Local Municipality

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## Accounting Policies

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### 1.30 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.31 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its unaudited annual financial statements.

### 1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

# Kai !Garib Local Municipality

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## Accounting Policies

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### 1.32 Events after reporting date (continued)

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Kai !Garib Local Municipality

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## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **GRAP 12 (as amended 2016): Inventories**

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 unaudited annual financial statements.

The impact of the amendment is not material.

##### **GRAP 16 (as amended 2016): Investment Property**

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 unaudited annual financial statements.

The impact of the amendment is not material.

##### **GRAP 17 (as amended 2016): Property, Plant and Equipment**

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

## **Notes to the Unaudited Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 unaudited annual financial statements.

The impact of the amendment is not material.

#### **GRAP 26 (as amended 2016): Impairment of cash-generating assets**

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 unaudited annual financial statements.

The impact of the amendment is not material.

#### **GRAP 31 (as amended 2016): Intangible Assets**

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 unaudited annual financial statements.

The impact of the amendment is not material.

#### **GRAP 103 (as amended 2016): Heritage Assets**

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## Notes to the Unaudited Annual Financial Statements

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### 2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 unaudited annual financial statements.

The impact of the amendment is not material.

### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

#### **GRAP 104 (amended): Financial Instruments**

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

#### **Guideline: Guideline on Accounting for Landfill Sites**

## Notes to the Unaudited Annual Financial Statements

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### 2. New standards and interpretations (continued)

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

#### **Guideline: Guideline on the Application of Materiality to Financial Statements**

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

#### **GRAP 1 (amended): Presentation of Financial Statements**

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

#### **Materiality and aggregation**

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

# Kai Igarib Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

#### Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

#### Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality has adopted the interpretation for the first time in the 2017/2020 unaudited annual financial statements.

The impact of the amendment is not material.

#### GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 unaudited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

#### IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

## Notes to the Unaudited Annual Financial Statements

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### 2. New standards and interpretations (continued)

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 unaudited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

#### **GRAP 18 (as amended 2016): Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

The municipality expects to adopt the standard for the first time in the 2019/2019 unaudited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

#### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's unaudited annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;



# Kai Igarib Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

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### 2. New standards and interpretations (continued)

- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual unaudited annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2019 unaudited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

### IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

# Kai Igarib Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

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### 2. New standards and interpretations (continued)

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2019 unaudited annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's unaudited annual financial statements.

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>3. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	98,925	51,309
Cash on hand	45,833	28,801
Short-term deposits	401,679	383,551
Bank overdraft	(543,799)	(208,581)
	<b>2,638</b>	<b>255,080</b>
Current assets	546,437	463,661
Current liabilities	(543,799)	(208,581)
	<b>2,638</b>	<b>255,080</b>
The total amount of undrawn facilities available for future operating activities and commitments	2,638	255,080

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
<b>Current accounts</b>						
ABSA Bank Limited: 4051 445 435	(543,799)	(208,581)	491,025	(543,799)	(208,581)	429,013
Standard Bank Limited: 0417 902 19	98,925	51,309	76,874	98,925	51,309	76,874
<b>Short-term Investments</b>						
ABSA Bank Limited: 9117 271 903	2,850	3,336	23,407	2,850	3,336	23,407
First National Bank: 6200 698 309 4	1,667	1,868	1,918	1,667	1,868	1,918
Standard Bank Limited: 0486 432 700 02	18,639	1,074	2,558	18,639	1,074	2,558
Standard Bank Limited: 0489 042 950 04	59,930	59,930	59,930	59,930	59,930	59,930
Stanlib: 1533 550 21	318,593	317,343	319,570	318,593	317,343	319,570
<b>Total</b>	<b>(43,195)</b>	<b>226,279</b>	<b>975,282</b>	<b>(43,195)</b>	<b>226,279</b>	<b>913,270</b>

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>4. Inventories</b>		
Maintenance materials	801,426	675,946
RDP Properties	1,340	1,340
Water for distribution	85,962	87,970
	<b>888,728</b>	<b>765,256</b>

No impairments of the values of inventory have been written off as management considers that all inventory and consumables are useable and any losses on ultimate realisation are immaterial. Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority.

### Inventory pledged as security

There are no Inventory pledged as security for overdraft facilities.

## 5. Other financial assets

### Designated at fair value

Long-term debtors	(1,813,441)	2,584,310
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The consumers made arrangements with the municipality to pay off their long overdue rates and services accounts. The outstanding accounts will be settled interest free in equal installments over a period of 12 to 24 months.

Old Mutual - 1166 5522	66,978	66,978
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The policy (Registered in Eksteenskuil Bestuursraad) has reached the end of its term on 1 August 2003 and has been inactive since then. The maturity proceeds are not exposed to the market, thus the maturity value as at 1 August 2003 is still the same as at 30 June 2018.

	<b>(1,746,463)</b>	<b>2,651,288</b>
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### Non-current assets

Designated at fair value	(1,813,441)	1,081,535
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### Current assets

Designated at fair value	66,978	1,569,753
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## 6. Receivables from exchange transactions

Consumer debtors - Electricity	4,490,195	9,591,006
Consumer debtors - Water	6,531,145	5,897,489
Consumer debtors - Waste water	3,453,312	3,390,746
Consumer debtors - Refuse	2,661,409	2,336,288
Consumer debtors - Long-term debtors	-	260,008
Consumer debtors - Other	199,931,424	776,940
	<b>217,067,485</b>	<b>22,252,477</b>

### Trade and other receivables pledged as security

There are no Consumer debtors pledged as security for overdraft facilities.

Please refer to note 8 for the detailed consumer debtors disclosure.

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>6. Receivables from exchange transactions (continued)</b>		
<b>Fair value of trade and other receivables</b>		
Trade and other receivables	217,067,485	22,252,477
The carrying amount of trade and other receivables are denominated in the following currencies:		
Rand	217,067,485	22,252,477
<b>7. Receivables from non-exchange transactions</b>		
Consumer debtors - Rates	21,475,535	17,646,577
<b>Receivables from non-exchange transactions pledged as security</b>		
There are no Consumer debtors pledged as security for overdraft facilities.		
Please refer to note 8 for detailed consumer debtors disclosure.		
<b>Fair value of receivables from non-exchange transactions</b>		
Other receivables from non-exchange transactions	21,475,535	17,646,577
The carrying amount of other receivables from non-exchange transactions are denominated in the following currencies:		
Rand	21,475,535	17,646,577
<b>8. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Rates	44,098,078	37,601,508
Electricity	19,466,497	25,812,167
Water	49,131,805	42,185,289
Waste water	22,359,448	19,082,151
Refuse	22,430,913	18,396,682
Long-term debtor's installments	-	3,873,775
Other	206,655,705	6,624,934
	<b>364,142,446</b>	<b>153,576,506</b>
<b>Less: Allowance for impairment</b>		
Rates	(22,622,543)	(19,954,931)
Electricity	(14,976,302)	(16,221,161)
Water	(42,600,660)	(36,287,800)
Waste water	(18,906,136)	(15,691,405)
Refuse	(19,769,504)	(16,060,394)
Long-term debtor's installments	-	(3,613,767)
Other	(6,724,281)	(5,847,994)
	<b>(125,599,426)</b>	<b>(113,677,452)</b>

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>8. Consumer debtors disclosure (continued)</b>		
<b>Net balance</b>		
Rates	21,475,535	17,646,577
Electricity	4,490,195	9,591,006
Water	6,531,145	5,897,489
Waste water	3,453,312	3,390,746
Refuse	2,661,409	2,336,288
Long-term debtor's installments	-	260,008
Other	199,931,424	776,940
	<b>238,543,020</b>	<b>39,899,054</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	4,490,195	9,591,006
Water	6,531,145	5,897,489
Waste water	3,453,312	3,390,746
Refuse	2,661,409	2,336,288
Long-term debtor's installments	-	260,008
Other	199,931,424	776,940
	<b>217,067,485</b>	<b>22,252,477</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	21,475,535	17,646,577
<b>Net balance</b>	<b>238,543,020</b>	<b>39,899,054</b>
<b>Rates</b>		
Current (0 -30 days)	1,768,086	1,339,379
31 - 60 days	721,903	191,210
61 - 90 days	692,828	157,292
91 - 120 days	669,157	717,279
120 - 150 days	661,670	-
151 - 180 days	668,120	-
181 - 365 days	10,622,685	8,805,571
> 365 days	28,293,628	26,390,777
Less: Allowance for impairment	(22,622,542)	(19,954,931)
	<b>21,475,535</b>	<b>17,646,577</b>
<b>Electricity</b>		
Current (0 -30 days)	3,814,347	3,397,192
31 - 60 days	481,116	881,379
61 - 90 days	322,798	693,451
91 - 120 days	279,457	590,685
121 - 150 days	229,211	-
151 - 180 days	280,602	-
181 - 365 days	1,211,840	4,461,633
> 365 days	12,847,125	15,787,828
Less: Allowance for impairment	(14,976,301)	(16,221,162)
	<b>4,490,195</b>	<b>9,591,006</b>

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>8. Consumer debtors disclosure (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	1,797,498	1,570,701
31 - 60 days	2,081,644	1,053,208
61 - 90 days	1,044,739	992,672
91 - 120 days	1,019,464	951,729
121 - 150 days	1,069,358	-
151 - 180 days	1,060,298	-
181 - 365 days	4,752,931	7,135,909
> 365 days	36,305,872	30,481,070
Less: Allowance for impairment	(42,600,659)	(36,287,800)
	<b>6,531,145</b>	<b>5,897,489</b>
<b>Waste water</b>		
Current (0 -30 days)	964,767	922,128
31 - 60 days	546,671	513,181
61 - 90 days	501,232	461,218
91 - 120 days	483,828	452,279
121 - 150 days	470,190	-
151 - 180 days	458,826	-
181 - 365 days	2,550,621	2,981,313
> 365 days	16,383,313	13,752,031
Less: Allowance for impairment	(18,906,136)	(15,691,404)
	<b>3,453,312</b>	<b>3,390,746</b>
<b>Refuse</b>		
Current (0 -30 days)	741,425	686,511
31 - 60 days	503,345	455,395
61 - 90 days	472,751	414,921
91 - 120 days	459,257	399,427
121 - 150 days	448,661	-
151 - 180 days	440,880	-
181 - 365 days	2,502,318	2,789,067
> 365 days	16,862,275	13,651,360
Less: Allowance for impairment	(19,769,503)	(16,060,393)
	<b>2,661,409</b>	<b>2,336,288</b>
<b>Long-term debtor installments</b>		
Current (0 -30 days)	-	170,846
31 - 60 days	-	107,846
61 - 90 days	-	97,086
91 - 120 days	-	93,154
181 - 365 days	-	529,680
> 365 days	-	2,875,162
Less: Allowance for impairment	-	(3,613,766)
	-	<b>260,008</b>

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>8. Consumer debtors disclosure (continued)</b>		
<b>Other services</b>		
Current (0 -30 days)	6,498,666	202,870
31 - 60 days	51,600	52,023
61 - 90 days	49,326	51,055
91 - 120 days	49,020	51,706
121 - 150 days	49,538	-
151 - 180 days	75,270	-
181 - 365 days	194,121,054	393,287
> 365 days	5,761,231	5,873,994
Less: Allowance for impairment	(6,724,281)	(5,847,995)
	<b>199,931,424</b>	<b>776,940</b>
<b>Total</b>		
Current (0 -30 days)	15,584,789	8,118,781
31 - 60 days	4,386,279	3,146,396
61 - 90 days	3,083,674	2,770,609
91 - 120 days	2,960,183	3,163,105
121 - 150 days	2,928,628	-
151 - 180 days	2,983,996	-
181 - 365 days	215,761,449	26,566,780
> 365 days	116,453,444	105,937,060
Less: Allowance for impairment	(125,599,422)	(110,063,685)
	<b>238,543,020</b>	<b>39,639,046</b>



# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>8. Consumer debtors disclosure (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	7,147,632	6,707,764
31 - 60 days	3,993,868	2,975,428
61 - 90 days	2,757,260	2,662,209
91 - 120 days	2,667,321	2,487,770
121 - 150 days	2,628,610	-
151 - 180 days	2,639,316	-
181 - 365 days	16,115,901	21,620,555
> 365 days	104,204,948	93,796,726
	142,154,856	130,250,452
Less: Allowance for impairment	(125,178,716)	(110,064,020)
	<b>16,976,140</b>	<b>20,186,432</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	1,462,510	900,290
31 - 60 days	256,184	164,133
61 - 90 days	206,965	115,557
91 - 120 days	181,392	406,721
121 - 150 days	186,777	-
151 - 180 days	199,369	-
181 - 365 days	2,752,169	2,319,647
> 365 days	8,313,539	8,049,968
	<b>13,558,905</b>	<b>11,956,316</b>
<b>National and provincial government</b>		
Current (0 -30 days)	7,002,960	469,017
31 - 60 days	178,442	88,484
61 - 90 days	142,009	66,442
91 - 120 days	130,577	334,850
121 - 150 days	126,733	-
151 - 180 days	123,402	-
181 - 365 days	195,947,365	2,115,285
> 365 days	3,476,045	3,861,173
	<b>207,127,533</b>	<b>6,935,251</b>
<b>Other services</b>		
Current (0 -30 days)	144,489	212,557
31 - 60 days	87,692	26,196
61 - 90 days	87,527	23,487
91 - 120 days	85,487	26,918
121 - 150 days	87,709	-
151 - 180 days	118,216	-
181 - 365 days	1,480,880	1,040,972
> 365 days	3,865,604	3,104,356
	5,957,604	4,434,486
Less: Allowance for impairment	(4,795,166)	(3,613,431)
	<b>1,162,438</b>	<b>821,055</b>
<b>Total</b>		
Current (0 -30 days)	15,757,591	8,289,628
31 - 60 days	4,516,186	3,254,241

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>8. Consumer debtors disclosure (continued)</b>		
61 - 90 days	3,193,761	2,867,695
91 - 120 days	3,064,777	3,256,259
121 - 150 days	3,029,829	-
151 - 180 days	3,080,303	-
181 - 365 days	216,296,315	27,096,459
> 365 days	119,860,136	108,812,223
	368,798,898	153,576,505
Less: Allowance for impairment	(129,973,882)	(113,677,451)
	<b>238,825,016</b>	<b>39,899,054</b>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	-	(2,160,370)
31 - 60 days	-	(1,475,660)
61 - 90 days	-	(1,415,275)
91 - 120 days	-	(1,343,550)
181 - 365 days	-	(14,480,888)
> 365 days	-	(92,801,708)
	-	<b>(113,677,451)</b>
<b>Total debtor past due but not impaired</b>		
Current (0 -30 days)	-	6,129,258
31 - 60 days	-	1,778,581
61 - 90 days	-	1,452,420
91 - 120 days	-	1,912,709
181 - 365 days	-	12,615,571
> 365 days	-	16,010,515
	-	<b>39,899,054</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(113,677,461)	(108,256,859)
Contributions to allowance	-	(5,420,602)
	<b>(113,677,461)</b>	<b>(113,677,461)</b>

### 9. VAT receivable

South African Revenue Services	13,575,260	10,737,438
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Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from the South African Revenue Service (SARS).

VAT is payable/receivable on the cash basis.

### 10. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other (specify class)	5	-	5	5	-	5

## Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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#### 11. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	645,263	(504,959)	140,304	645,263	(388,489)	256,774

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	256,774	37,452	(153,922)	140,304

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	376,470	37,452	(157,148)	256,774

#### Pledged as security

There are no Intangible assets pledged as security for overdraft facilities.

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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### 12. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,540,000	-	1,540,000	1,524,000	-	1,524,000

#### Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	1,524,000	16,000	1,540,000

#### Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	1,470,000	54,000	1,524,000

Fair value of investment properties	1,540,000	1,524,000
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#### Pledged as security

There are no Investment properties pledged as security for overdraft facilities.

#### Details of property

##### Erf 1654 Kakamas

Title deed number T74252/198

- Purchase price: 1 December 2008

- Fair value adjustment

19,830

19,830

470,170

450,170

**490,000**

**470,000**

##### Erf 666 Keimoes

Title deed number G16/1942

- Fair value adjustment

250,000

254,000

##### Erf 667 Keimoes

Title deed number G16/1942

- Fair value adjustment

800,000

800,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
<b>Immovable assets</b>						
Buildings	61,310,071	(15,447,451)	45,862,620	61,310,071	(15,447,450)	45,862,621
Community assets	27,346,530	(9,493,621)	17,852,909	27,346,530	(9,493,621)	17,852,909
Infrastructure assets	767,848,428	(224,128,005)	543,720,423	755,153,360	(224,128,005)	531,025,355
Land	95,702,380	-	95,702,380	95,702,380	-	95,702,380
Landfill sites	36,786,517	(27,735,372)	9,051,145	36,786,517	(27,735,371)	9,051,146
Work-in-progress	68,797,191	-	68,797,191	46,065,696	-	46,065,696
<b>Movable assets</b>						
Computer equipment	2,724,031	(1,823,217)	900,814	2,540,751	(1,838,644)	702,107
Furniture and fixtures	6,171,532	(562,214)	5,609,318	6,052,708	(3,874,284)	2,178,424
Motor vehicles	13,353,109	(4,972,468)	8,380,641	14,611,454	(6,230,813)	8,380,641
Office equipment (Leased)	8,114,721	(2,165,749)	5,948,972	11,408,307	(1,615,713)	9,792,594
Plant and machinery	2,246,515	(4,853,199)	(2,606,684)	1,601,944	(1,061,925)	540,019
<b>Total</b>	<b>1,090,401,025</b>	<b>(291,181,296)</b>	<b>799,219,729</b>	<b>1,058,579,718</b>	<b>(291,425,826)</b>	<b>767,153,892</b>

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
<b>Immovable assets</b>						
Buildings	45,862,621	3,686,172	(2,128,014)	-	(1,558,159)	45,862,620
Community assets	17,852,909	2,302,659	(856,551)	-	(1,446,108)	17,852,909
Infrastructure assets	531,025,355	35,478,144	-	(354,000)	(22,429,076)	543,720,423
Land	95,702,380	-	-	-	-	95,702,380
Landfill sites	9,051,146	-	(1)	-	-	9,051,145
Work-in-progress	46,065,696	66,456,620	-	(43,725,125)	-	68,797,191
<b>Movable assets</b>						
Computer equipment	702,107	198,707	-	-	-	900,814
Furniture and fixtures	2,178,424	3,430,894	-	-	-	5,609,318
Motor vehicles	8,380,641	-	-	-	-	8,380,641
Office equipment (Leased)	9,792,594	-	-	-	(3,843,622)	5,948,972
Plant and machinery	540,019	656,691	-	-	(3,803,394)	(2,606,684)
	<b>767,153,892</b>	<b>112,209,887</b>	<b>(2,984,566)</b>	<b>(44,079,125)</b>	<b>(33,080,359)</b>	<b>799,219,729</b>

## Kai Igarib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand

#### 13. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
<b>Immovable assets</b>							
Buildings	47,391,238	-	(15,517)	-	(1,513,100)	-	45,862,621
Community assets	16,477,091	2,910,855	(239,647)	-	(1,295,390)	-	17,852,909
Infrastructure assets	553,917,958	1,080,947	(431,366)	-	(23,542,184)	-	531,025,355
Land	96,242,380	-	(540,000)	-	-	-	95,702,380
Landfill sites	10,102,470	-	(2)	-	(1,051,322)	-	9,051,146
Work-in-progress	17,771,384	32,064,890	-	(3,770,578)	-	-	46,065,696
<b>Movable assets</b>							
Computer equipment	884,502	84,556	-	-	(251,524)	(15,427)	702,107
Furniture and fixtures	2,296,601	468,164	(2,486)	-	(562,214)	(21,641)	2,178,424
Motor vehicles	10,105,856	-	-	-	(466,870)	(1,258,345)	8,380,641
Office equipment (Leased)	5,936,490	9,024,478	(3,002,625)	-	(2,165,749)	-	9,792,594
Plant and machinery	635,913	53,914	-	-	(137,688)	(12,120)	540,019
	<b>761,761,883</b>	<b>45,687,804</b>	<b>(4,231,643)</b>	<b>(3,770,578)</b>	<b>(30,986,041)</b>	<b>(1,307,533)</b>	<b>767,153,892</b>

##### Pledged as security

There are no Property, plant and equipment pledged as security for overdraft facilities.

All property, plant and equipment is being fully utilised by the municipality. There is therefore no idle property, plant and equipment.

##### Depreciation rates

# Kai Igarib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand		2019	2018
<b>13. Property, plant and equipment (continued)</b>			
Land	Straight line		Indefinite
Buildings	Straight line		10-50 years
Plant and machinery	Straight line		2-80 years
Furniture and fixtures	Straight line		3-15 years
Motor vehicles	Straight line		3-15 years
Office equipment	Straight line		2-5 years
Computer equipment	Straight line		2-5 years
Infrastructure assets	Straight line		5-60 years
Community assets	Straight line		5-60 years
Landfill sites	Straight line		1-12 years
<b>Assets subject to finance lease (Net carrying amount)</b>			
Office equipment (Leased)		5,948,972	9,792,594

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.



# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>14. Consumer deposits</b>		
Electricity	1,342,984	1,249,329
Water	523,220	523,220
	<b>1,866,204</b>	<b>1,772,549</b>
Guarantees held in lieu of electricity and water deposits		
No interest is paid on deposits.		
<b>15. Other financial liabilities</b>		
<b>At amortised cost</b>		
Development Bank of Southern Africa Ltd	1,271,902	1,522,164
Loan number: 100498/1 Product number: 61000080		
The loan is secured and is being repaid over a period of 20 years in equal installments of R130,186.67 every 6 months with a fixed interest rate of 12.100% per annum.		
Redemption date: 30/06/2023.		
Development Bank of Southern Africa Ltd	7,400,278	7,400,278
Loan number: 103723/2 Product number: 61001016		
The loan is secured and is being repaid monthly over a period of 7 years in equal installments of R110,140.87 with a fixed interest rate of 6.750% per annum.		
Redemption date: 28/02/2019.		
Development Bank of Southern Africa Ltd	12,919	12,919
Loan Number: 103723/3 Product number: 61001017		
The loan is secured and is being repaid monthly over a period of 5 years in equal installments of R32,506.21 with a fixed interest rate of 6.750% per annum.		
Redemption date: 31/08/2015.		
Development Bank of Southern Africa Ltd	855,615	855,615
Loan number: 13702/101 Product number: 61003256		
The loan is secured and is being repaid over a period of 20 years in equal capital installments of R39,349.17 every 6 months with a semi-floating interest rate of 9.800% per annum.		
Redemption date: 30/06/2021.		
	<b>9,540,714</b>	<b>9,790,976</b>

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>15. Other financial liabilities (continued)</b>		
<b>Total other financial liabilities</b>	<b>9,540,714</b>	<b>9,790,976</b>
<b>Non-current liabilities</b>		
At amortised cost	963,702	963,702
<b>Current liabilities</b>		
At amortised cost	8,577,012	8,827,274
<b>16. Payables from exchange transactions</b>		
Accrual for employee bonuses	3,016,170	3,016,170
Accrual for employee leave pay	6,451,296	6,451,296
Capital projects retention fees	992,368	1,039,355
Consumer debtors with credit balances	9,386,539	10,550,002
Department of Transport, Safety and Liaison	37,434,713	37,596,663
Deposits received	307,133	290,783
Payroll creditors	42,688,599	41,659,720
Trade payables	264,527,174	185,840,818
Unallocated deposits and receipts	198,181,701	(1,055,059)
	<b>562,985,693</b>	<b>285,389,748</b>

# Kai !Garib Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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### 17. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Change in discount factor	Total
Landfill sites rehabilitation	67,632,887	21,170,551	88,803,438
Long service awards	2,085,417	-	2,085,417
	<b>69,718,304</b>	<b>21,170,551</b>	<b>90,888,855</b>

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Landfill sites rehabilitation	56,661,331	-	-	10,971,556	67,632,887
Long service awards	1,931,141	154,276	-	-	2,085,417
Performance bonuses	171,629	-	(171,629)	-	-
	<b>58,764,101</b>	<b>154,276</b>	<b>(171,629)</b>	<b>10,971,556</b>	<b>69,718,304</b>

Non-current liabilities	88,957,714	62,711,600
Current liabilities	1,931,141	7,006,704
	<b>90,888,855</b>	<b>69,718,304</b>

#### Environmental rehabilitation provision

ESS has developed a General Landfill Closure Costing Model (GLCCM) to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in rehabilitation and closure of landfill sites. The GLCCM standardises the determination of landfill closure costs between different landfills and for the same landfill over time. The GLCCM is based on the Minimum Requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph .49 of GRAP 19 or paragraph 36 of IAS 37.

The liability calculated using the GLCCM includes costs associated with:

- Pre-closure planning and approvals (four cost elements)
- Final rehabilitation and closure (seven cost elements)
- 30 years post-closure monitoring (seven costs elements)

#### Adjustment of unit costs:

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

#### CPI:

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 4.1947%.

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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### 17. Provisions (continued)

#### Discount rate:

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used

- For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
- For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

#### Key financial assumptions used:

	For Marchand and Lennertsville landfills	For Kakamas, Keimoes, Kenhardt and Currieskamp landfills
CPI	4.1947 %	4.1947 %
Discount rate	7.6947 %	8.1947 %
Net effective discount rate	3.5 %	4.0 %
	-	-

#### Long Service Award Provision

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter, until 45 years of service (inclusive), to employees. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

#### Performance bonus

The municipality's Council took a resolution within the previous financial year to award the directors of the municipality with performance bonuses.

The provided performance bonuses are not been paid to the directors of the municipality yet, and no new resolutions to award the directors with performance bonuses for the year under review has been taken, nor to reverse the previous year's provision.

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>18. Unspent conditional grants and receipts</b>		
Unspent conditional grants and receipts comprises of:		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant	1,096,222	1,096,222
Expanded Public Works Programme (EPWP)	68,292	68,292
Integrated National Electrification Programme (INEP)	885,544	885,544
Water Service Infrastructure Grant (WSIG)	5,591,793	5,591,793
	<b>7,641,851</b>	<b>7,641,851</b>
The nature and extent of government grants recognised in the unaudited annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and		
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.		
See note for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		
<b>19. Agency services</b>		
Driver's Licenses	-	207,123
<b>20. Investment revenue</b>		
<b>Interest revenue</b>		
Other financial assets	252,135	205,296
Interest charged on trade and other receivables	18,788,340	11,807,630
	<b>19,040,475</b>	<b>12,012,926</b>
<b>21. Rental of facilities and equipment</b>		
<b>Facilities owned by the Municipality</b>		
Premises	338,903	334,335
<b>22. Service charges</b>		
Sale of electricity	69,425,239	66,307,265
Sale of water	17,891,992	15,440,109
Sewerage and sanitation charges	11,320,342	6,915,893
Refuse removal	8,284,870	5,044,317
	<b>106,922,443</b>	<b>93,707,584</b>

# Kai !Garib Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>23. Other income</b>		
Administration income	290	22,640
Buildingplan fees	45,318	51,703
Call out fees	4,435	1,111
Cemetery fees	38,076	32,716
Clearance certificates	103,798	72,526
Commission: Policies and other	270,889	227,894
Connection fees	105,943	155,672
Firesafety certificates and inspections	1,200	-
Photocopies	1,669	1,737
Posters and banners	2,974	4,213
Re-connection fees	15,946	23,565
Resort entrance fees	67,791	66,779
Rezoning applications	62,083	380
Sewer blockages	-	20,821
Sub-divisions	-	40,450
Sundry income	16,304	1,369
Tender fees	26,191	6,930
Testing of installations - Meters	-	456
Traffic documents and registrations	-	705,242
Traffic escorts	320	993
Valuation certificates	8,700	5,697
	<b>771,927</b>	<b>1,442,894</b>

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>24. Property rates</b>		
<b>Rates received</b>		
All properties within the municipality's jurisdiction	21,056,616	20,659,175
Less: Rebates	(3,496,586)	(3,209,917)
	<b>17,560,030</b>	<b>17,449,258</b>

### Valuations

Residential	943,383,000	997,374,000
Commercial	129,134,200	85,124,200
State	163,928,000	239,858,000
Municipal	7,433,000	7,433,000
Small holdings and farms	5,302,184,655	5,218,713,655
Exempted valuations	196,022,000	197,742,000
	<b>6,742,084,855</b>	<b>6,746,244,855</b>

Valuations on properties within the municipal jurisdiction are performed every 5 years. The last general valuation roll came into effect on 1 July 2014. Interim valuations are not being performed, as prescribed by legislation, on an annual basis due to the low level of new developments within the municipal jurisdiction. The low level of new developments deemed the interim valuation process not be cost effective. Interim valuations, if performed, will consider the changes in individual property values due to alterations and subdivisions.

The detailed schedule of applicable tariffs and rebates are advertised annually and is available from the municipality on request.

Rates are levied on an annual basis with the final date for payment for annual rate payers to be 30 September and 30 June for monthly rate payers. Interest at the maximum bank percentage charged per annum plus 1%, is levied on consumer's property rates outstanding amount, one month after the due date.

The municipality was granted extension by MEC for Corporative Governance, Human Settlements and Traditional Affairs to implement a new general valuation roll until 30 June 2021. The new general valuation will be implemented on 1 July 2021.

### 25. Fines and Penalties

Overdue Books Fines	2,183	1,012
Municipal Traffic Fines	63,940	54,730
Disconnection Fees Penalties	25,091	10,574
General fines	186	-
	<b>91,400</b>	<b>66,316</b>

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	72,186,000	63,164,000
Local Government Finance Management Grant (FMG)	2,415,000	2,345,000
Department of Sports, Arts and Culture - Library	400,000	989,000
Expanded Public Works Programme (EPWP)	1,547,000	931,708
	<b>76,548,000</b>	<b>67,429,708</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	16,822,000	21,647,778
Integrated National Electrification Programme (INEP)	-	2,114,456
Water Service Infrastructure Grant (WSIG)	5,000,000	4,408,207
	<b>21,822,000</b>	<b>28,170,441</b>
	<b>98,370,000</b>	<b>95,600,149</b>
<b>27. Public contributions and donations</b>		
Materials and supplies	-	4,375
National Treasury	-	5,673,932
Property, plant and equipment	12,688,053	-
Social events	-	10,000
	<b>12,688,053</b>	<b>5,688,307</b>
<b>28. Revenue</b>		
Service charges	106,922,443	93,707,584
Rental of facilities and equipment	338,903	334,335
Agency services	-	207,123
Other income	771,927	1,442,894
Interest received - investment	19,040,475	12,012,926
Property rates	17,560,030	17,449,258
Government grants & subsidies	98,370,000	95,600,149
Public contributions and donations	12,688,053	5,688,307
Fines, Penalties and Forfeits	91,400	66,316
	<b>255,783,231</b>	<b>226,508,892</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	106,922,443	93,707,584
Rental of facilities and equipment	338,903	334,335
Agency services	-	207,123
Other income - (rollup)	771,927	1,442,894
Interest received - investment	19,040,475	12,012,926
	<b>127,073,748</b>	<b>107,704,862</b>



# Kai !Garib Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>28. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	17,560,030	17,449,258
<b>Transfer revenue</b>		
Government grants & subsidies	98,370,000	95,600,149
Public contributions and donations	12,688,053	5,688,307
Fines, Penalties and Forfeits	91,400	66,316
	<b>128,709,483</b>	<b>118,804,030</b>
<b>29. Bulk purchases</b>		
Electricity - Eskom	56,077,693	51,172,805
Water	3,061,599	3,135,028
	<b>59,139,292</b>	<b>54,307,833</b>
Bulk purchases are the cost of commodities not generated by the municipality, but which the municipality distributes to consumers.		
The municipality purchases electricity in bulk from Eskom and water from Kakamas Waterverbruikers Vereniging and then redistributes it to consumers.		
<b>30. Contracted services</b>		
<b>Presented previously</b>		
Information Technology Services	7,681,871	6,893,082
Fleet Services	6,736,135	7,860,742
Operating Leases	138,723	688,422
Specialist Services	867,410	581,183
Other Contractors	-	777,597
<b>31. Debt impairment</b>		
Debt impairment	15,535,741	5,420,603
Contributions to debt impairment provision	4,374,456	1,568,356
	<b>19,910,197</b>	<b>6,988,959</b>
IAS 39 states that an impairment of a financial asset is calculated as being the difference between the expected future cash flows and their present (discounted) value. This means another discounting calculation, distinct from any discounting calculations that may have been required to determine fair value at initial recognition.		
An impairment calculation is forward-looking and the municipality therefore used the number of days that the particular consumer debtor is still expected to be outstanding based on the best information available at year-end.		
<b>32. Depreciation and amortisation</b>		
Property, plant and equipment	4,485,834	30,986,041
Intangible assets	116,470	157,150
	<b>4,602,304</b>	<b>31,143,191</b>

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>33. Employee related costs</b>		
Acting allowances	1,580,637	1,509,361
Basic salaries and wages	74,888,832	70,089,907
Bonusses	6,130,845	5,709,189
Cellphone allowances	239,544	222,710
Group insurance	2,203	5,974
Housing benefits and allowances	800,340	550,086
Industrial council contributions	43,570	39,644
Leave pay provision charge	428,087	1,548,940
Long-service awards	-	161,968
Medical aid contributions	3,177,885	2,441,172
Nightshift allowances	446,267	329,086
Overtime payments	4,248,971	4,783,938
Pension fund contributions	12,177,190	10,828,096
Performance bonuses	-	124,778
Shift allowances	290,185	268,392
Skills development levy (SDL)	952,843	894,781
Standby allowances	2,509,259	2,336,031
Travel allowances	2,793,165	2,697,045
Unemployment insurance fund contributions (UIF)	706,304	692,661
Ward committee members allowances	554,000	498,000
	<b>111,970,127</b>	<b>105,731,759</b>

### Remuneration of Municipal Manager

Annual remuneration	484,716	442,392
Acting allowance	194,408	249,468
Annual bonus	40,393	36,866
Travel allowance	99,052	99,052
Telephone allowance	11,400	11,400
Medical aid contributions	43,610	40,644
Pensionfund contributions	86,614	79,631
UIF contributions	1,785	1,785
Bargaining council contributions	105	97
	<b>962,083</b>	<b>961,335</b>

Mr. I.G.A. de Waal was appointed as acting Municipal Manager on 1 February 2018.

### Remuneration of Chief Finance Officer

Annual remuneration	451,428	412,020
Acting allowance	224,110	379,701
Annual bonus	37,619	34,335
Travel allowance	101,688	101,688
Telephone allowance	11,400	11,400
Medical aid contributions	49,062	33,902
Pensionfund contributions	80,666	74,164
UIF Contributions	1,785	1,785
Bargaining council contributions	105	97
	<b>957,863</b>	<b>1,049,092</b>

Mrs. A.F. Beukes was as appointed acting Chief Financial Officer (CFO) on 1 February 2019.

### Remuneration of Director: Corporate Services

Annual remuneration	815,439	760,704
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# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>33. Employee related costs (continued)</b>		
Acting allowance	3,647	-
Performance bonus	66,132	62,389
Travel allowance	269,841	253,572
Telephone allowance	17,100	17,100
UIF contributions	1,785	1,785
	<b>1,173,944</b>	<b>1,095,550</b>

Adv. R.S. Neethling was permanently appointed as the Director: Corporate Services on 1 December 2013.

### Remuneration of Director: Properties, Planning and Development

Annual remuneration	1,085,280	1,014,276
Acting allowance	16,278	-
Performance bonus	66,132	623,689
Telephone allowance	17,100	17,100
UIF contributions	1,785	1,785
	<b>1,186,575</b>	<b>1,656,850</b>

Mr. J. MacKay was permanently appointed as Director: Development and Planning on 1 December 2013.

### Remuneration of Director: Technical and Engineering Services

Annual remuneration	90,440	-
Telephone allowance	1,425	-
UIF contributions	149	-
	<b>92,014</b>	<b>-</b>

Mr. M. Links was appointed as acting Director: Technical and Engineering Services on 1 June 2019.

### 34. Finance costs

Non-current borrowings	353,686	834,744
Interest on convertible instruments	21,170,551	10,971,557
Trade and other payables	25,409,517	19,979,782
Finance leases	-	910,163
	<b>46,933,754</b>	<b>32,696,246</b>

# Kai !Garib Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>35. General expenses</b>		
Advertising	229,927	190,425
Auditors remuneration	2,901,748	3,805,582
Bank charges	813,281	745,884
Billing charges	907,503	-
Commission: Sale of pre-paid electricity	209,242	90,551
Community development and training	1,788,964	1,102,960
Computer expenses	64,859	87,000
Consulting and professional fees	1,951,921	824,127
Conferences and seminars	12,000	-
Consumables and materials	1,386,059	4,801,851
Donations	46,717	233,456
Entertainment	219,184	122,867
Land surveyor costs	254,176	-
Lease rentals on operating leases	122,910	2,368
Licence fees	2,028	-
Motor vehicle expenses	4,734,238	4,604,691
Postage and courier	31,680	58,313
Printing and stationery	348,674	611,440
Protective clothing	646,530	356,457
Refuse removal	428,064	102,143
Small tools and equipment	-	2,630
Spatial development	352,251	134,611
Subscriptions and membership fees	18,045	33,702
Town planning fees	4,800	110,252
Training fees	243,983	156,826
Travel and subsistence	6,004,139	4,348,555
Valuation roll expenses	127,695	169,414
Water purification chemicals	2,622,065	1,970,089
Repairs and maintenance	8,252,392	3,980,987
	<b>34,725,075</b>	<b>28,647,181</b>
<b>36. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Special Projects	561,659	42,038
Indigent Support	14,539,243	-
CoGSTHA RDP Houses	-	113,168
	<b>15,100,902</b>	<b>155,206</b>
<b>37. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	-	1,307,533
Due to extreme vandalism of the buildings the condition rating of the buildings decreased above expectations. Because of the extreme differences in the buildings original carrying value and the fair value valuation done by an independant valuer (DDP Valuers), management decided to impair the buildings to disclose the buildings at a more realistic fair value.		

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>38. Remuneration of councillors</b>		
Executive Major	868,549	808,603
Mayoral Committee Members	783,787	710,470
Speaker	703,000	653,217
Councillors	4,829,421	4,413,650
	<b>7,184,757</b>	<b>6,585,940</b>
<b>39. Fair value adjustments</b>		
Investment property (Fair value model)	16,000	19,000
<b>40. Cash generated from operations</b>		
Deficit	(59,191,316)	(60,223,867)
<b>Adjustments for:</b>		
Depreciation and amortisation	4,602,304	31,143,191
Gain on sale of assets and liabilities	-	2,386,885
Fair value adjustments	(16,000)	(19,000)
Finance costs - Finance leases	-	910,163
Impairment deficit	-	1,307,533
Debt impairment	19,910,197	6,988,959
Movements in provisions	21,170,551	10,954,203
<b>Changes in working capital:</b>		
Inventories	(123,472)	4,194,229
Receivables from exchange transactions	(194,815,008)	(8,349,310)
Consumer debtors	(19,910,197)	(6,988,959)
Other receivables from non-exchange transactions	(3,828,958)	(2,725,275)
Payables from exchange transactions	277,595,952	51,194,243
VAT	(2,837,822)	(3,937,139)
Unspent conditional grants and receipts	-	7,641,851
Consumer deposits	93,655	37,642
	<b>42,649,886</b>	<b>34,515,349</b>
<b>41. Related parties</b>		
<b>Relationships</b>		
Accounting Officer	Refer to accounting officer's report note	
Joint ventures	Refer to note	
Suppliers in service of the state	NB Mechanical sales/Wife	
Members of key management	Mr. I.G.A. de Waal	
	Mrs. A.F. Beukes	
	Adv. R. Neethling	
	Mr. J. MacKay	
<b>42. Going concern</b>		

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality comply with all legislation requirements. The collection of outstanding consumer debtor accounts are also a priority for the municipality for the financial year.

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(Registration number NC082)

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## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>43. Events after the reporting date</b>		
The municipality is unaware of any events after the reporting date which required disclosure.		
<b>44. Unauthorised expenditure</b>		
Opening balance as previously reported	-	395,848,919
<b>Opening balance as restated</b>	-	<b>395,848,919</b>
Add: Irregular Expenditure - prior period	-	76,531,631
<b>Closing balance</b>	-	<b>472,380,550</b>
<b>45. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	62,269,042	42,289,260
<b>Opening balance as restated</b>	<b>62,269,042</b>	<b>42,289,260</b>
Add: Irregular Expenditure - prior period	25,410,003	19,979,782
<b>Closing balance</b>	<b>87,679,045</b>	<b>62,269,042</b>
Due to the high outstanding amount of the municipality's creditors, suppliers is charging the municipality interest on the outstanding amounts due to them.		
<b>46. Irregular expenditure</b>		
Opening balance as previously reported	69,370,029	61,604,987
<b>Opening balance as restated</b>	<b>69,370,029</b>	<b>61,604,987</b>
Add: Irregular Expenditure - prior period	713,237	7,765,042
<b>Closing balance</b>	<b>70,083,266</b>	<b>69,370,029</b>
<b>47. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Opening balance	8,126,512	11,113,850
Current year subscription / fee	2,710,153	2,900,716
Value Added Tax (VAT)	406,523	406,310
Interest charged	1,034,977	1,092,539
Amount paid - current year	(250,000)	(1,712,971)
Payments made on behalf of the municipality by National Treasury	-	(5,673,932)
	<b>12,028,165</b>	<b>8,126,512</b>
<b>Pension Fund Deductions</b>		
Opening balance	3,779,797	707,537
Current year subscription / fee	6,423,029	5,722,239
Amount paid - current year	(5,336,682)	(3,374,541)
Amount paid - previous years	(2,356,961)	724,562
	<b>2,509,183</b>	<b>3,779,797</b>

# Kai !Garib Local Municipality

(Registration number NC082)

Unaudited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>47. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Medical Aid Deductions</b>		
Opening balance	126,421	118,801
Current year subscription / fee	1,912,273	1,591,332
Amount paid - current year	(1,741,921)	(1,447,098)
Amount paid - previous years	(144,234)	(136,614)
	<b>152,539</b>	<b>126,421</b>

### VAT

VAT receivable	13,575,260	10,737,438
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

### Councillors' arrear consumer accounts

None of the municipality's Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. N.J. Snyers	1,248	1,642	2,890
Cllr. C.F.P. Bezuidenhout	59,699	61,716	121,415
	<b>60,947</b>	<b>63,358</b>	<b>124,305</b>

During the year none of the municipality's Councillors had arrear accounts outstanding for more than 90 days.

30 June 2018	Highest outstanding amount	Aging (in days)
Cllr. N.J. Snyers	1,642	150
Cllr. C.F.P. Bezuidenhout	61,716	360
	<b>63,358</b>	